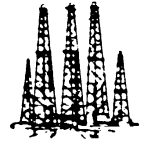


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April 28, 1998

Mr. David S. Guzy
Chief, Rules and Publications Staff
Royalty Management Program
Minerals Management Service
P.O. Box 25165, Mail Stop 3021
Denver, Colorado 80225-0165

Ladies and gentlemen:

This letter is for the purpose of commenting on your proposed rulemaking on electronic reporting, as published on page 17133 of the Federal Register of April 8, 1998.

The effect of this rule is to shift the cost of data entry from the MMS to small operators.

Your proposed rulemaking extols the cost savings to the industry. This is certainly true for larger companies which have the technical expertise to integrate your reporting requirements into their software packages, but for small independents, costs will be increased, with or without computers.

My accountants and I spent considerable time and effort over the years creating a series of Lotus 1-2-3 spreadsheets which enable us to enter production and revenue data once. The spreadsheets generate not only a printed Form 2014, but our production reports for the State of Wyoming Oil and Gas Conservation Commission, Conservation Tax reports for the State of Wyoming, and production reports for non-operators. These spreadsheets also incorporate the byzantine, inane procedures the MMS requires us to use in calculating the theoretical value of liquids we would have received had we not entered into keep-whole transportation and processing agreements, as well as the transportation and processing allowances. The proposed rule would now require us to re-enter all that data on your template.

Mr. Ralph Spencer of MMS informed Leanna Howell of our office that the new test software will not be available until July, well after you plan to put this regulation into effect. It is hard to estimate the amount of additional time which will be required without trying out the software.

Mr. David Guzy
Minerals Management Service
April 28, 1998
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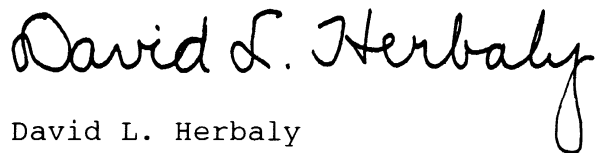
Several years ago, MMS had a computer version of its Form 3160. We tried it out and found it unsatisfactory. We need a printed copy of the form for our files, and the MMS software printed out a poor report which covered two pages for each lease. Instead, we use a commercially prepared template which at least prints an identical copy of Form 3160 on one page. We were unable to integrate Form 3160 into our spreadsheets because the MMS would not allow it.

In order to decide if electronic reporting would be helpful, I would need answers to the following questions: Has the MMS improved the Form 3160 software? Does it now print single-page versions of the report? What do the printed Form 2014 reports look like? Are the Form 3160 and Form 2014 reports integrated in any way? Can the templates be incorporated into our Lotus 1-2-3 worksheets?

The proposed rule mentions MMS electronic reporting guidelines, getting samples approved, electronic commerce agreements and security measures. What are they? How cumbersome will they be to implement? How will we prove that our reports have been electronically filed on time? When the MMS sends out error notices with their accompanying bills for penalties, how do you prove what you submitted? This is particularly important to us because the burden of proof always rests on the reporter.

Fees will be assessed for failure to report electronically, "to compensate the Government for the increased costs incurred as a result of a reporter's non-compliance." Actually, the government's costs aren't increasing at all since you are already processing paper reports now. How about a credit for reporting electronically since we will be reducing the government's costs by having the data entry burden shifted to us?

Yours truly,

A handwritten signature in black ink that reads "David L. Herbaly". The signature is written in a cursive style with a long, sweeping tail on the last letter.

David L. Herbaly

cc: Carla Wilson, IPAMS
Ben Dillon, IPAA